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SUBJECT: BRAZIL AND ARGENTINA COOPERATION ON URANIUM ENRICHMENT

REF: A) BUENOS AIRES 236, B) 2007 BRASILIA 2047

11. (U) THIS CABLE IS SENSITIVE BUT UNCLASSIFIED AND NOT FOR INTERNET DISTRIBUTION.

12. (SBU) SUMMARY. Brazilian President Lula and Argentine President Kirchner met on February 22 and announced a joint effort regarding uranium enrichment. This new initiative is part of Brazil's overall policy of reinvigorating its nuclear activities. On a related note, Brazil still has concerns over accepting an IAEA Additional Protocol and now sees waning interest in such an Additional Protocol on the part of Argentina. END SUMMARY.

13. (SBU) On February 27, 2008, Environment, Science, Technology and Health (ESTH) Counselor met with the Deputy Director of the Ministry of External Relations' Department of Disarmament and Sensitive Technologies, Counselor Luiz Fernando Abbott Galvao, to discuss, among other things, Brazil-Argentina nuclear cooperation. The prospects for such cooperation have recently increased dramatically (See REFTEL A).

14. (SBU) In recent years, Brazilian-Argentine bilateral nuclear cooperation had been a rather quiet, routine matter. The Brazilian-Argentine Agency for Accounting and Control of Nuclear Materials (Agencia Brasileiro-Argentina de Contabilidade e Controle de Materiais Nucleares or ABACC) would meet regularly once a quarter. ABACC has its headquarters in Rio de Janeiro, and it provides on-site inspections of nuclear facilities in Argentina and Brazil and maintains an inventory of nuclear material in each country.

15. (SBU) Lately, however, energy has become a front-burner topic in both countries. Brazil has announced ambitious plans to build new electric generation facilities, including hydroelectric facilities (some in cooperation with Argentina and Bolivia), and a third nuclear reactor at Angra (1MW), which would increase total capacity from nuclear reactors to more than 3MW. One major hurdle is that there is an outstanding contract from the 1970s to build the third reactor. According to World Bank contacts, the Brazilian government is faced with quandary of honoring the contract and building a 1970's reactor or wasting an entire warehouse of already purchased equipment. Articles have appeared in the Brazilian press warning of possible energy shortfalls in the near and medium term due to lack of rainfall for hydropower and increasing demand. However, national energy plans from now until 2011 show static levels of nuclear-generated energy, remaining at 2MW of the over 109MW capacity projected for 2011.

16. (SBU) For its part, Argentina has confronted energy shortages in recent years. During a February 21-23 visit by Brazilian President Luiz Inacio Lula da Silva to Argentina, Argentine President Cristina Kirchner asked for help to meet Argentina's energy needs.

Specifically, Kirchner asked Brazil to provide Argentina with some of the natural gas supplied to Brazil by Bolivia. Lula demurred on the natural gas, though he offered to help with electricity. Reports in the Argentine press that nuclear cooperation would extend to joint development of a nuclear powered submarine have been denied by the Brazilian Ministry of Defense. COMMENT: It is difficult to imagine what contribution Argentina could make to Brazil's submarine program. END COMMENT.

¶7. (SBU) The Lula Administration seeks to expand its activities in the nuclear area: building more nuclear reactors; completing the enrichment cycle; developing its uranium sector; and increasing cooperation with other countries (e.g., India - see REFTEL B). In this vein, as highlighted in REFTEL A, Lula and Kirchner in their February 22 meeting announced a program of joint cooperation in the field of uranium enrichment. The pertinent parts of the text of the announcement are in paragraph 10 below.

¶8. (SBU) Galvao explained that the idea was to set up a joint enterprise to enrich uranium. Its first priority would be to supply the nuclear fuel supply needs of the two countries. However, he envisioned the joint enterprise becoming a supplier for other countries. Brazil has the uranium reserves to become a major nuclear fuel supplier. It ranks sixth in global uranium reserves behind Kazakhstan, Australia, South Africa, the United States, and Canada. When asked what Argentina would bring to the joint effort on enrichment (such as uranium, money, or expertise), Galvao did not have a clear answer and seemed unsure.

FADING INTEREST IN AN IAEA ADDITIONAL PROTOCOL?

¶9. (SBU) Galvao said that the cabinet had not decided whether to accept an IAEA Additional Protocol. He noted that, among other things, the Ministry of Defense had unspecified concerns over an

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Additional Protocol. He recognized that Argentina was unlikely to agree to an Additional Protocol unless Brazil were to do so. Galvao went on to say that in the latest round of bilateral meetings on nuclear matters (ABACC), Brazil detected waning interest on the part of Argentina in an Additional Protocol, but he did not provide details on why he thought interest was less.

KEY PORTIONS OF JOINT ANNOUNCEMENT

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¶10. (U) BEGIN TEXT  
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President Luiz Inacio Lula da Silva's visit to Argentina - February 21 through 23, 2008 - Casa Rosada Declaration

On February 22, 2008, accepting an invitation from the President of the Republic of Argentina Cristina Fernandez de Kirchner, the President of the Federative Republic of Brazil, Luis Inacio Lula da Silva made an official visit to Argentina where both countries reviewed their broad bilateral relations.

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President Lula and President Cristina Kirchner agreed to:

¶B. Sub commission of Energy, Transports and Infra-structure

+ + +

¶7. Nuclear Cooperation

Determine the competent organs of Brazil and Argentina to create a bi-national commission, responsible for the development of a nuclear reactor model that meets the needs of the electrical systems of both countries and, eventually, the region's. And to also determine, by August 2008, that the bi-national commission prepare a specific action report for this purpose.

Determine that the competent entities elaborate, on the same

deadline, a common project in the area of nuclear fuel cycle and also elaborate, by August 2008, a specific action report for this purpose.

Express the intention to build a bi-national company for the enrichment of uranium. With this goal, instruct the competent organisms and initiate the necessary negotiations within the next 120 days.

Determine the realization, by May of 2008, of a seminar for Brazilian and Argentine researchers to discuss the strategy for future cooperation in the nuclear field, as well as to identify concrete projects of bilateral cooperation, including gathering mutual capacity needs in terms of human, technology and financial resources, as well as regarding industrial complementation material.

#### Schedule

March 1: Bi-national Commission Meeting.

May 7: Bi-national Technical Seminar.

By the end of June: Begin negotiation for the constitution of a bi-national company for the enrichment of uranium.

August 30: Presentation of specific reports.

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END TEXT  
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CHICOLA